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SUBJECT: HIGHLIGHTS OF 2007 GERMAN FOREIGN TRADE CONGRESS IN BREMEN

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1. SUMMARY: Over 800 participants and several guests of honor, including German Federal Economics and Technology Minister Michael Glos and King Abdullah II bin Al-Hussein of Jordan, attended the 7th German Foreign Trade Congress 2007 on November 13-14 in Bremen. Glos stated that Chancellor Merkel remained convinced that it was still possible to reach a WTO agreement before the presidential elections in the U.S. King Al-Hussein stressed the commitment to political, economic and social reforms in many of the countries in the Middle East and called on the gathered business representatives to grasp the economic opportunities in the region. While the overall atmosphere at the congress was very upbeat, the plenary sessions featured several issues of concern to the German export community: stalled WTO negotiations, Germany's restrictive visa and immigration policy, and the lack of German personnel willing to work abroad for longer periods of time. One German high-level export representative heavily criticized the new 100 percent container scanning requirement mandated by U.S. law. END SUMMARY.

Free Trade Praised, Compartmentalization Feared

2. In his keynote speech, President of the National Association of German Wholesale and Foreign Trade (BGA) Anton F. Boerner passionately praised the free trade system as a concept that brought prosperity to Germany and the world. Boerner stated that every fifth job in Germany is dependent on export and that with a prospective export volume of EURO 985 billion (about USD 1.45 trillion) in 2007, Germany is likely to once again become the world's export champion. Boerner pointed out that Germany was also the second largest importer, trailing only the U.S. While Boerner saw no alternative to free trade, with the stagnant WTO negotiations and an increased tendency to negotiate bilateral trade agreements that exclude third countries, he lamented that there was a turning away from the multilateral free trade system. Boerner stated that the WTO is the best guarantor of free trade. However, in his view the chances for a WTO agreement are low, particularly due to the upcoming difficult negotiations on agricultural subsidies. He also saw a real danger of market regionalization and compartmentalization. Boerner lamented that the German discourse on globalization is mostly dominated by fear (e.g. wage cuts, loss of jobs) and, by contrast, presented globalization as the only chance to maintain and develop German living and working standards. He criticized the German and European farmer's presidents for their stance on free trade, arguing that the fences must not come up but down.

¶3. Federal Economics and Technology Minister Michael Glos stated that Chancellor Merkel remained convinced that it was still possible to reach a WTO agreement before the presidential elections in the U.S. He underscored that the German government was determined to facilitate a successful completion of WTO talks. Glos noted that foreign companies provide 2.2 million jobs in Germany, whereas Germany secured 5.5 million jobs abroad. He also said that foreign countries invested USD 43 billion in Germany, whereas Germany invested USD 80 billion abroad.

Royal Perspectives on Trade: Speech by Jordanian King

¶4. In his speech, King Abdullah II bin Al-Hussein of Jordan declared that trade opportunities in the Middle East had never been greater. He stressed that there has been a commitment to political, economic and social reforms and progress in many of the countries in the Near East, and presented Jordan as an attractive regional gateway to 300 million Arabs. He praised Chancellor Merkel's leadership role during the German G-8 presidency and stated that he is looking forward to the joint summit of the G-11 and G-8 on December 14.

Export Opportunities are Infinite: Case of Skilled Crafts Sector

¶5. President of the Central German Skilled Trades Association (ZDH) Otto Kenzler said that 70,000 to 80,000 German skilled craft enterprises are engaged in foreign trade, most of them in Great Britain and other EU countries. Kenzler noted that because many specialized Polish craftspeople have left for

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Ireland, business opportunities are opening up for German skilled crafts enterprises along the German/Polish border (e.g. construction of wellness baths). Further, Boerner pointed out that German skilled crafts enterprises had only exploited 50 percent of their export potential.

Trade Hampering Factors: Lack of (Flexible) Personnel, Visa and Immigration Policy

¶6. Boerner stressed the importance of training and improving professional skills in Germany, and underscored that this necessity applies to Germans as well as locally hired personnel. In this context he criticized Germany's visa and immigration policy as a hindrance to training activities. Boerner stated that foreign business partners needed to be able to quickly immigrate into Germany and implied that this has become more difficult due to undifferentiated security considerations. Boerner further accentuated his criticism of German immigration policies by stating that personnel shortages at German exporting companies could be overcome, if German politicians would not be so narrow minded (Note: Glos concurred, stating that this issue was subject to party coordination. End Note.). Boerner stated that Germany's restrictive visa and immigration policy was put on the agenda of Germany's State Economics Minister Conference on November 19/20, and expressed hope that state economics ministers will eventually appeal to state interior ministers on behalf of the export sector. Head of the Department of Foreign Trade Policies in the Ministry of the Economy and Technology Dr. Karl-Ernst Brauner referred to successful efforts by the German federal government to motivate foreign students to study in

Germany.

¶7. Boerner as well as other business representatives alluded to the fact that a lack of will on the part of Germans to work abroad for longer periods of time represents the most important obstacle to increased foreign trade. Several speakers emphasized the importance to defend and lobby for the protection of intellectual property rights (IPR). Boerner concurred, stating though that this issue will be settled with respect to China within the next one to three years, as China was likely to follow Japan's path and increasingly be interested in IPR protection of its own goods.

100 Percent Container Scanning Requirement Under Heavy Fire

¶8. Chairman of the National Association for the German Export Trade (BDEX) Wolfhart Putzier stressed that there were various new measures that could constrain trade. He stated that the latest example of such constraints was the 100 container scanning requirement "which will burden exports." Putzier complained that even transshipments to Latin and South America would be affected by the scanning requirement, since "the U.S. would treat them as imports." Putzier claimed that the stresses and strains imposed by the 100 scanning requirement would be excessive and said that documentation and random inspections of containers should suffice to guarantee security. He continued by calling the policy regrettable and an example of U.S. protectionism. Putzier said he hoped that Germany will not yield to U.S. pressure and called on politicians to defend German interests.

¶9. COMMENT: The number of statements and level of applause was an indication that Germany's exporters are seriously concerned about Germany's immigration and visa policy, which is increasingly viewed as an obstacle to external trade. The fact that this issues is on the agenda of the State Economics Ministers Conference on November 19/20 is testament to the urgency of the issue and an increased assertiveness of German business associations. The way Glos remarked that the issue of filling vacancies in Germany with foreigners was subject to party coordination was a forthright signal that the SPD is resisting opening the German labor market to foreign experts. The harsh criticism of the 100 container scanning requirement mandated by U.S. law as a protectionist measure may stem more from a lack of accurate information than deeply ingrained negative convictions toward USG policy. However, although the remark did not receive much (audible) resonance among the podium discussants and audience, it is a vivid reminder of the urgency to counter such misperceptions before they develop into broader misperceptions or serious trade disputes. In that context,

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successful outreach strategies applied with respect to the Container Security Initiative (CSI) offer valuable experiences.
END COMMENT.

¶10. This message has been coordinated with Embassy Berlin.
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